Message Text

15
ACTION SS-20

INFO OCT-01 EUR-25 ISO-00 AGR-20 FPC-01 NEA-10 AF-10 PM-07

NSC-10 SPC-03 RSC-01 CIAE-00 INR-10 NSAE-00 L-03 H-03

PA-04 PRS-01 USIA-15 EB-11 COME-00 TRSE-00 OMB-01

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FM AMEMBASSY THE HAGUE
TO AMEMBASSY LONDON IMMEDIATE
INFO SECSTATE WASHDC 2574
USMISSION OECD PARIS

C O N F I D E N T I A L THE HAGUE 5463

FOR DELIVERY TO UNDER SECRETARY DONALDSON AND AMBASSADOR GOULD AT OPENING OF BUSINESS DEC 13

E.O. 11652: GDS
TAGS: ENRG, NL
SUBJ: DUTCH OIL SITUATION

1. IN ANALYZING DUTCH OIL NEEDS IN TERMS OF POSSIBLE US ASSISTANCE, WE SUGGEST CRUDE AND PRODUCT MOVING THROUGH ROTTERDAM UNDER BOND IN TRANSIT TO OTHER DESTINATIONS BE DISREGARDED. DUTCH HOPE THIS TRAFFIC WILL CONTINUE FOR SAKE OF ROTTERDAM'S FUTURE AS WORLD'S LEADING OIL PORT BUT IT IS NOT VITAL ELEMENT IN CURRENT DUTCH SUPPLY CRISIS. THAT LEAVES THREE CATEGORIES OF IMPORTS WHICH ARE VITAL: (1) CRUDE FOR REFINING IN HOLLAND FOR DOMESTIC MARKET, (2) FINISHED PRODUCTS FOR DOMESTIC MARKET, AND (3) CRUDE FOR REFINING TO MEET EXPORT COMMITMENTS. SINCE DUTCH REFINERIES ARE CONTINUING TO SHARE SHORTFALLS EVENLY BETWEEN DOMESTIC AND EXPORT CUSTOMERS, WE SUGGEST THAT ALL CRUDE FOR REFINING IN HOLLAND BE TREATED TOGETHER. IF US SHOULD CONSIDER AID TO NETHS IN FORM OF CRUDE, HOWEVER, WE SEE NO REASON WHY PRODUCTS FROM THAT SUPPLEMENTARY CRUDE COULD NOT BE
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EARMARKED SOLELY FOR DUTCH CONSUMPTION IF THIS SHOULD BE DEEMED DESIRABLE.

2. GON HAS PREPARED AT OUR REQUEST DETAILED INPUT-OUTPUT

TABLES BY PRODUCT COVERING JAN-APR 1974 ON BASIS OF DATA AVAILABLE AS OF DEC 10. THEY INCLUDE PROJECTIONS FROM COMPANIES ON CRUDE AVAILABILITIES BY SOURCE AND EXPORT COMMITMENTS BY DESTINATION. WE EXPECT TO HAVE THESE TABLES IN HAND BY COB DEC 13. INTERAGENCY WORKING GROUP CHAIRED IN MINISTRY OF ECONOMIC AFFAIRS HAS ALSO TASKED MEMBER MINISTRIES TO COME UP WITH MINIMUM ACCEPTABLE DELIVERIES BY PRODUCT AND ECONOMIC SECTOR IN TERMS OF PERCENTAGE OF NORMAL SUPPLY. SECTORS TO BE COVERED INCLUDE PROVATE AND COMMERCIAL GASOLINE CONSUMERS (ACCEPTABLE AVERAGE SHORTFALL ALREADY SET AT 30 PERCENT), INDUSTRIAL CONSUMERS OF FUEL AND FEEDSTOCK, AGRICULTURE, PUBLIC TRANSPORT AND FLOOD CONTROL. WE EXPECT TO HAVE INDUSTRAIL DATA BY COB DEC 13 AND BALANCE BY COB DEC 14.

3. ALL FIGURES ASSUME MAXIMUM FEASIBLE CONVERSION TO COAL AND NATURAL GAS. THIS MAY RESULT IN UNDERSTATEMENT OF PROBLEM SINCE COAL IS IN SHORT SUPPLY (DELIVERIES TO STEEL INDUSTRY FROM US SOURCES ARE, FOR EXAMPLE, RUNNING AT ONLY 55 PERCENT OF CONTRACTED LEVELS), AND NATURAL GAS WILL HAVE TO BE DIVERTED FROM POWER PLANTS TO HOME HEATING WHENEVER TEMPERATURE FALLS BELOW ZERO CENTIGRADE (PROPOSAL TO LOWER CUTOFF TO MINUS THREE DEGREES IS STILL UNDER CONSIDERATION).

4. FIGURES ALSO ASSUME COMPLETE DRY-UP OF PRODUCT IMPORTS (MAINLY NAPTHA) FOR DOMESTIC CONSUMPTION. THIS MAY RESULT IN OVERSTATEMENT OF PROBLEM SINCE SOME NAPTHA CONSUMERS (E.G. DOW CHEMICALS) HAVE SUPPLY CONTRACTS WITH NON-ARAB SOURCES. MOREOVER OIL COMPANIES RELUCTANT TO DEFY ARAB BOYCOTT IN IMPORTING ARAB CRUDE INTO HOLLAND MAY COMPENSATE BY SERVING DUTCH CUSTOMERS WITH REFINED PRODUCTS. IN FACT, HOWEVER, COMPANIES WITH REFINERIES HERE HAVE PROJECTED VIRTUALLY ZERO IMPORTS OF REFINED PRODUCTS DURING JAN-APR PERIOD.

5. AS FAR AS WE CAN DETERMINE REFINERY SITUATION IS ROUGHLY AS FOLLOWS (IN THOUSAND B/D):

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REFINERY	CAPACITY	NORMAL THROUGHPUT	DEC THROUGHPUT
ESSO	325	240	140
CHEVRON/ TEXACO	300	300	145
GULF	100	NA	NA
MOBIL	130	NA	NA
SHELL	520	450	340
BP	500	NA	NA
TOTALS	1,875	1,400	1,100

6. "NORMAL THROUGHPUT" SHOWN ABOVE (70 PERCENT OF CAPACITY) IS SEPTEMBER 1973 LEVEL. IN 1972, HOWEVER, AVERAGE THROUGHPUT WAS ABOUT 80 PERCENT OF CAPACITY.

7. ON BASIS OF COMPANY SUBMISSIONS, TOTAL THROUGHPUT BY
SIX REFINERIES OVER NEXT FIVE MONTHS WILL BE AS FOLLOWS (IN
THOUSANDS.

MONTH	B/D	MT
DEC	1,100	5,118
JAN	980	4,186
FEB	850	3,400
MAR	850	3,825
APR	850	3,825

8. FOREGOING PROJECTIONS ASSUME DRAWDOWN OF CRUDE STOCKS TO MINIMUM WORKING LEVEL OF 2.8 MILLION TONS BY END-FEBRUARY WITH NO FURTHER DRAWDOWN THEREAFTER. THEY EXCLUDE OUTPUT FROM TOTAL REFINERY IN FLUSHING WHICH MAY GO ON STREAM AT SOME POINT DURING PERIOD. VIRTUALLY ALL NEW CRUDE IMPORTED DURING PERIOD WILL BE FROM NIGERIA OR IRAN.

9. THROUGHPUT PROJECTIONS IN PARA 7, TAKEN TOGETHER WITH DRAWDOWN OF REFINED PRODUCT RESERVE STOCKS TO MINIMUM 65 DAY LEVEL OF 2.7 MILLION TONS, WOULD NECESSITATE CUT IN EXPORTS DURING FOUR MONTHS OF AVERAGE 48 PERCENT (DECLARED COMPANY INTENTIONS), WITH WIDE VARIATION BY PRODUCT. CUT IN DELIVERIES TO DOMESTIC CONSUMERS WOULD AVERAGE 40 PERCENT. SHORTFALLS IN DELIVERIES TO DOMESTIC MARKET BY MAJOR PRODUCT CATEGORY, COMPARED WITH NORMAL CONSUMPTION ARE ESTIMATED AS FOLLOWS FOR JAN-APR:

PRODUCT	THOUSAND MT SHORTFALL	PERCENT SHORTFALL
GASOLINE	475	30

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KEROSENE	300	50
GAS-OIL	1,600	40
FUEL OIL	0	0
NAPTHA	1,400	46

10. IT WILL BE SEEN FROM ABOVE THAT FUEL OIL PRESENTS NO PROBLEM. REAL SHORTFALLS ARE IN GAS-OIL, NAPTHA AND KEROSENE. OUR GON SOURCE FOR THESE FIGURES PERSONALLY PROJECTS NEED FOR SUPPLEMENTARY PRODUCT SUPPLY DURING JAN-APR PERIOD, TO MEET MINIMUM ESSENTIAL DOMESTIC REQUIREMENTS, AT 150,PPP TONS KEROSENE, 800,000 TONS GAS-OIL, AND 650,000 TONS NAPTHA. MORE PRECISE ESTIMATES SHOULD BE AVAILABLE, HOWEVER, BEFORE UNDER SECRETARY DONALDSON'S ARRIVAL. IT WILL BE UNDERSTOOD OF COURSE, THAT SHORTFALL FROM "NORMAL" UNDERSTATES SHORTFALL FROM POTENTIAL DEMAND WHICH MIGHT HAVE RISEN 5-10 PERCENT UNDER DUTCH MARKET CONDITIONS PROJECTED BEFORE OIL CRISIS.

1. WE CAN ANTICIPATE THAT DUTCH WILL RAISE PROBLEM OF COAL SUPPLY (PARA 3 ABOVE DURING DONALDSON VISIT, BUT MAIN FOCUS WILL BE ON HELPING TO OFFSET PRODUCT SHORTFALLS FOR DOMESTIC MARKET BY SUPPLEMENTAL US DELIVERIES OF EITHER CRUDE OR PRODUCT. IN ADDITION TO DATA PROMISED IN PARA 2, IS THERE

ANY OTHER INFORMATION OR ANALYSIS UNDER SECRETARY WISHES
PRIOR TO HIS ARRIVAL?
TANGUY

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<< END OF DOCUMENT >>

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